

City of Brown City

Sanilac County, Michigan

Audited Financial Report
March 31, 2004

Lehn L. King

Certified Public Accountant
Marlette, Michigan

City of Brown City
Annual Financial Report
For The Year Ended March 31, 2004

Table of Contents

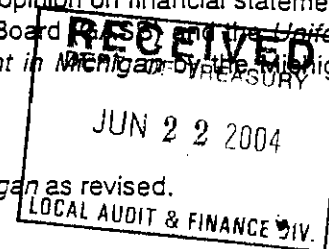
	<u>Page Number</u>
Independent Auditors' Report	1
Combined Statements - Overview (General Purpose Financial Statements):	2
Combined Balance Sheet - All Fund Types & Account Groups	3
Combined Statement of Revenues, Expenditures, & Changes in Fund Balances - All Governmental Fund Types & Expendable Trust Funds	4
Combined Statement of Revenues, Expenditures, & Changes in Fund Balance - Budget and Actual – General and Special Revenue Fund Types	5
Combined Statement of Revenues, Expenses, & Changes in Retained Earnings/Fund Balance - All Proprietary Fund Types & Similar Trust Funds	6
Combined Statement of Cash Flows - All Proprietary Fund Types	7
Notes to Financial Statements	8-17
Supporting Schedules	18
General Fund:	
Balance Sheet.....	19
Statement of Changes in Fund Balances.....	20
Statement of Revenues, Expenditures, & Changes in Fund Balances Compared to Budget	21-22
Special Revenue Funds:	
Combining Balance Sheet	23
Combining Statement of Revenues, Expenditures, & Changes in Fund Balances.....	24
Enterprise Funds:	
Combining Balance Sheet	25
Statement of Changes in Unreserved Retained Earnings.....	26
Combined Statement of Revenues, Expenditures And Changes in Retained Earnings.....	27
Combined Statement of Cash Flows	28
Fiduciary Funds:	
Combining Balance Sheet	29
Statement of Revenues, Expenditures, & Changes in Fund Balances (Cemetery Perpetual Care Fund).....	30
Special Revenue Funds:	
Statements of Revenues, Expenditures, & Changes in Fund Balance - Budget & Actual:	
Major Street Fund & Local Street Fund	31
Cemetery Fund.....	32
Park Fund.....	33
Water Recreation Fund	34
E.D.C. Fund.....	35

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other City of Brown City			County Sanilac
Audit Date March 31, 2004	Opinion Date May 27, 2004	Date Accountant Report Submitted to State: May 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Lehn King, C.P.A.			
Street Address 3078 S. Main Street	City Marlette	State MI	ZIP 48453
Accountant Signature <i>Lehn L. King</i>			

LEHN L. KING

Certified Public Accountant

3078 S. MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

To The Honorable Mayor and
Members of the City Council
City of Brown City
Sanilac County, Michigan

Independent Auditor's Report

I have examined the General Purpose Financial Statements of the City of Brown City as of March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, including those prescribed by the State Treasurer. An audit also includes assessing the accounting principles used and significant statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the General Purpose Financial Statements referred to above present fairly, in all material respects, the financial position of the City of Brown City, at March 31, 2004, and the results of its operations and its cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles.

The accompanying financial information listed as supporting schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the General Purpose Financial Statements of the City of Brown City. The information has been subjected to the auditing procedures applied in the examination of the General Purpose Financial Statements and, in my opinion, is fairly stated in all material respects in relation to the General Purpose Financial Statements taken as a whole.

Lehn King

Certified Public Accountant

May 27, 2004

**Combined Statements
Overview**
(General Purpose Financial Statements)

City of Brown City

Combined Balance Sheet - All Fund Types And Account Groups

March 31, 2004

Assets	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Group	Totals	
	General	Special Revenue	Enterprise	Pool	Trust And Agency			(Memorandum Only)	
	\$ 6,028	\$ 15,692	\$ 62,032	\$ 0	\$ 0			2004	2003
Cash	0	39,950	0	0	90,248			\$ 83,752	\$ 67,925
Cash - Savings / C of D's	629,715	142,248	308,444	15,611	0			130,198	129,416
M.M. Savings - Investment Fund	42,255	2,638	0	0	0			1,096,018	1,288,453
Property Tax Receivable	6,411	0	11,978	0	0			44,893	47,599
Accounts Receivable	1,997	1,897	0	0	0			18,389	11,978
Due From Other Funds	0	0	0	0	1,096,019			3,894	1,262
Deposits - From Other Funds	0	0	0	0	0			1,096,019	1,288,453
Land & Buildings	0	0	0	0	0			155,036	125,408
Improvements other than Buildings	0	0	2,178,577	0	0			240,134	1,975,246
Machinery & Equipment	0	0	0	311,625	0			742,530	726,482
Accumulated Depreciation	0	0	(1,159,330)	(210,824)	0			(1,370,154)	(1,342,490)
Buildings	0	0	0	0	0			315,326	271,130
Total Assets	\$ 686,406	\$ 202,425	\$ 1,401,701	\$ 116,412	\$ 1,186,267			\$ 4,734,612	\$ 4,590,862
Liabilities & Fund Equity									
Liabilities									
Accounts Payable	\$ 20,855	\$ 0	\$ 12,533	\$ 0	\$ 0			\$ 33,388	\$ 24,051
Accrued Wages	0	0	0	0	0			0	8,722
Due To Other Funds	0	1,704	0	0	1,098,209			1,099,913	1,289,715
Bonds / Notes Payable	0	0	160,000	0	0			160,000	180,000
Total Liabilities	20,855	1,704	172,533	0	1,098,209			1,293,301	1,502,488
Fund Equity									
Contributed Capital	0	0	769,125	0	0			769,125	652,301
Investment in General Fixed Assets	0	0	0	0	0			1,141,401	802,272
Retained Earnings - Unreserved	0	0	460,043	116,412	0			576,455	544,368
Reserved Fund Balances:									
Reserved for Police Car	320	0	0	0	0			320	12,221
Reserved for Unemp. Comp.	8,826	0	0	0	0			8,826	8,691
Reserved for Streets	34,607	0	0	0	0			34,607	69,035
Reserved for Cable Equipment	25,834	0	0	0	0			25,834	25,439
Reserved for County Rd Millage	156,104	0	0	0	0			156,104	114,482
Reserved for Sidewalks	25,584	0	0	0	0			25,584	25,193
Reserved for E.D.C. Loans	0	0	0	0	0			0	169
Designated for Cem. Perp. Care	0	0	0	0	88,058			88,058	86,758
Designated for Cemetery Equip.	0	5,888	0	0	0			5,888	5,797
Unreserved - Undesignated	414,276	194,833	0	0	0			609,109	741,648
Total Fund Equity	665,551	200,721	1,229,168	116,412	88,058			3,441,311	3,088,374
Total Liabilities & Fund Equity	\$ 686,406	\$ 202,425	\$ 1,401,701	\$ 116,412	\$ 1,186,267			\$ 4,734,612	\$ 4,590,862

The notes are an integral part of the statements

City of Brown City

Statement of Revenues, Expenditures, And Changes In Fund Balance
All Governmental Fund Types And Expendable Trust Funds
For The Year Ended March 31, 2004

	Governmental Fund Types		Fiduciary	Totals	
	General	Special Revenue	Fund Type Trust And Agency	2004	(Memorandum Only) March 31, 2003
Revenues					
Taxes	\$ 370,080	\$ 23,841	\$ 0	\$ 393,921	\$ 374,582
Licenses, Fees, & Permits	25,155	0	0	25,155	11,113
Intergovernmental Revenues	172,326	108,057	0	280,383	286,513
Charges for Services	43,506	8,700	0	52,206	52,165
Interest Income	9,269	4,439	2,200	15,908	19,789
Grants	365,230	0	0	365,230	17,267
Lot Sales	0	2,350	0	2,350	3,875
Other Revenues	113,533	7,443	0	120,976	107,724
Total Revenues	1,099,099	154,830	2,200	1,256,129	873,028
Expenditures					
Legislative	82,985	0	0	82,985	21,294
General Government	238,539	0	0	238,539	225,983
Public Safety	202,411	0	0	202,411	179,572
Public Works	43,701	0	0	43,701	34,555
Highways, Streets & Bridges	0	155,136	0	155,136	80,833
Cemetery Operations	0	20,298	0	20,298	19,762
Park Maintenance & Water Recreation	0	25,711	0	25,711	23,119
Other Functions	117,886	562	0	118,448	102,254
Capital Outlay	440,905	0	0	440,905	0
Debt Service - Interest & Charges	0	0	0	0	0
Total Expenditures	1,126,427	201,707	0	1,328,134	687,372
Excess of Revenues Over (Under) Expenditures	(27,328)	(46,877)	2,200	(72,005)	185,656
Other Financing Sources (Uses)					
Transfer From (To) Other Funds	(64,400)	2,200	(2,200)	(64,400)	(42,400)
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(91,728)	(44,677)	0	(136,405)	143,256
Fund Balances - April 1,	757,279	245,398	0	1,002,677	859,419
Fund Balances - March 31,	\$ 665,551	\$ 200,721	\$ 0	\$ 866,272	\$ 1,002,675

The notes are an integral part of the statements

City of Brown City

Combined Statement of Revenues, Expenditures, And Changes in Fund Balance Budget And Actual - General And Special Revenue Funds For The Year Ended March 31, 2004

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Amended Budget	Actual	Over (Under) Budget	Amended Budget	Actual	Over (Under) Budget	Amended Budget	Actual	Over (Under) Budget
Revenues									
Taxes	\$ 451,280	\$ 370,080	\$ (81,200)	\$ 26,785	\$ 23,841	\$ (2,944)	\$ 478,065	\$ 393,921	\$ (84,144)
Licenses, Permits, & Fees	30,791	25,155	(5,636)	0	0	0	30,791	25,155	(5,636)
Intergovernmental Revenues	172,326	172,326	0	108,209	108,057	(152)	280,535	280,383	(152)
Lot Sales	0	0	0	2,350	2,350	0	2,350	2,350	0
Charges for Services	43,458	43,506	48	8,250	8,700	450	51,708	52,206	498
Interest Income	8,491	9,269	778	2,420	4,439	2,019	10,911	13,708	2,797
Grants	364,905	365,230	325	0	0	0	364,905	365,230	325
Other Revenues	109,186	113,533	4,347	6,450	7,443	993	115,636	120,976	5,340
Total Revenues	1,180,437	1,099,099	(81,338)	154,464	154,830	366	1,334,901	1,253,929	(80,972)
Expenditures									
Legislative	72,524	82,985	(10,461)	0	0	0	72,524	82,985	(10,461)
General Government	211,395	238,539	(27,144)	0	0	0	211,395	238,539	(27,144)
Public Safety	196,202	202,411	(6,209)	0	0	0	196,202	202,411	(6,209)
Public Works	40,471	43,701	(3,230)	0	0	0	40,471	43,701	(3,230)
Highways, Streets & Bridges	0	0	0	150,467	155,136	(4,669)	150,467	155,136	(4,669)
Cemetery Operations	0	0	0	19,748	20,298	(550)	19,748	20,298	(550)
Other	551,656	558,791	(7,135)	25,374	26,273	(899)	577,030	585,064	(8,034)
Total Expenditures	1,072,248	1,126,427	(54,179)	195,589	201,707	(6,118)	1,267,837	1,328,134	(60,297)
Excess of Revenues Over (Under) Expenditures	108,189	(27,328)	(135,517)	(41,125)	(46,877)	(5,752)	67,064	(74,205)	(141,269)
Other Financing Sources (Uses)									
Operating Transfers In (Out)	(86,400)	(64,400)	22,000	2,130	2,200	70	(84,270)	(62,200)	22,070
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	21,789	(91,728)	(113,517)	(38,995)	(44,677)	(5,682)	(17,206)	(136,405)	(119,199)
Fund Balances - April 1,	0	757,279	757,279	89,806	245,398	155,592	89,806	1,002,677	912,871
Fund Balances - March 31,	\$ 21,789	\$ 665,551	\$ 643,762	\$ 50,811	\$ 200,721	\$ 149,910	\$ 72,600	\$ 866,272	\$ 793,672

The notes are an integral part of the statements

City of Brown City

Combined Statement of Revenues, Expenses, and Changes In Retained Earnings / Fund Balances - All Proprietary And Similar Trust Funds

For The Year Ended March 31, 2004

	Proprietary Fund Types		Fiduciary Fund Types		Totals	
	Enterprise Funds	Internal Service Equipment Pool	Non-Expendable Cemetery	Perpetual Care	2004	2003
Operating Revenues						
Charges for Services	\$ 177,193	\$ 0	\$ 0		\$ 177,193	\$ 179,043
Connection Fees	5,600	0	0		5,600	3,050
Equipment Rental	0	50,557	0		50,557	40,232
Cemetery Lot Sales	0	0	1,300		1,300	3,452
Total Operating Revenues	182,793	50,557	1,300		234,650	225,777
Operating Expenses						
Salaries & Wages	37,578	9,981	0		47,559	44,171
Payroll Taxes	3,009	803	0		3,812	3,580
Operating Supplies	9,005	5,337	0		14,342	10,917
Professional Fees	26,582	400	0		26,982	11,814
Utilities	14,309	0	0		14,309	13,031
Repairs & Maintenance	18,951	7,241	0		26,192	28,655
Equipment Rental / Lease	21,497	3,280	0		24,777	21,026
Insurance	8,393	11,107	0		19,500	17,013
Employee Benefits	11,800	4,400	0		16,200	16,200
Administrative Fees	10,820	1,560	0		12,380	12,380
Depreciation	57,094	18,562	0		75,656	75,545
Interest	6,030	0	0		6,030	3,350
Miscellaneous	3,041	373	0		3,414	2,334
Total Operating Expenses	228,109	63,044	0		291,153	260,016
Operating Income (Loss)	(45,316)	(12,487)	1,300		(56,503)	(34,239)
Non-Operating Revenues (Expenses)						
Interest	5,515	359	0		5,874	8,955
Sale of Equipment	0	4,783	0		4,783	0
Tower Rent / Reimbursements	14,710	0	0		14,710	12,449
Total Non-Operating Revenue (Exp.)	20,225	5,142	0		25,367	21,404
Income (Loss) Before Operating Transfers	(25,091)	(7,345)	1,300		(31,136)	(12,835)
Operating Transfers In (Out)						
Transfer from General Fund	29,400	35,000	0		64,400	42,400
Net Income (Loss)	4,309	27,655	1,300		33,264	29,565
Amortization of Contributed Capital	123	0	0		123	0
Increase (Decrease) in Retained Earnings	4,432	27,655	1,300		33,387	29,565
Fund Equity - April 1,	1,066,790	88,757	83,306		1,238,853	1,253,862
Fund Equity - March 31,	\$ 1,071,099	\$ 116,412	\$ 84,606		\$ 1,272,117	\$ 1,283,427

The notes are an integral part of the statements

City of Brown City
Combined Statement of Cash Flows
All Proprietary Fund Types
(Indirect Method)
For The Year Ended March 31, 2004

	Proprietary Fund Types			Totals
	Enterprise Funds	Motor Vehicle & Equipment Pool Fund	(Memorandum Only)	
			2004	March 31, 2003
Cash Flows from Operating Activity				
Net Income (Loss)	\$ 4,309	\$ 27,655	\$ 31,964	\$ 26,113
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation	57,094	18,562	75,656	75,545
Changes in Operating Assets and Liabilities:				
Accounts Receivable	0	0	0	96
Accounts Payable	9,395	(2,155)	7,240	2,100
Due From Other Funds	0	0	0	(14,640)
Net Cash Provided By Operating Activity	70,798	44,062	114,860	89,214
Cash Flows From Investing Activities				
Purchase of Fixed Assets	(203,330)	(40,491)	(243,821)	(223,990)
Contributed Capital - CDBG	116,947	0	116,947	0
Cost Basis of Equipment Sold	0	1,623	1,623	0
Cash Flows From Financing Activities				
Issuance of Long-Term Debt (Net of Payments)	(20,000)	0	(20,000)	180,000
Net Increase (Decrease) in Cash and Cash Equivalents	(35,585)	5,194	(30,391)	45,224
Cash & Cash Equivalents - Beginning of Year	406,061	10,418	416,479	371,255
Cash & Cash Equivalents - End of Year	\$ 370,476	\$ 15,612	\$ 386,088	\$ 416,479

The notes are an integral part of the statements

City of Brown City
Notes To Financial Statements
March 31, 2004

The accounting methods and procedures adopted by the City of Brown City, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the City's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Brown City was incorporated as a 4th Class City in 1907. The City has operated since 1973 under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Brown City (the primary government) and its component units. The component units discussed below are included in the City reporting entity because of the significance of their operational or financial relationships with the City.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units.

Blended Component Units - The Downtown Development Authority (DDA) of the City of Brown City, an entity legally separate from the City, is governed by a nine-member board appointed by the City Council. For financial reporting purposes, the DDA is reported as if it were part of the City's operations because its purpose is to finance and provide assistance to businesses and citizens within the DDA District of the City.

Basis of Presentation - Fund Accounting - The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The City has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The funds are grouped into fund types and generic funds as described below:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund: This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds: The Special Revenue Funds are used to account for the proceeds of specific revenue resources (other than assessments or expendable trusts) that are legally restricted to expenditures for specified purposes. These funds include: Major Streets, Local Streets, Cemetery, Parks, Water Recreation, E.D.C. and D.D.A.

Debt Service Fund: The Debt Service fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from intergovernmental sources by the City for City road construction and Wastewater Treatment. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively from debt service expenditures.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds and Internal Service Funds.

Enterprise Funds: These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds: These funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Fiduciary Fund Types - These funds account for assets held by the City as a trustee or agent for individuals, private

City of Brown City
Notes To Financial Statements
March 31, 2004

organization, and other units of governments. These funds are as follows:

Expendable Trust and Agency Funds: These funds, used to account for assets held in trust of as an agent for others, include the Tax (property) Collection Fund, Investment Fund, and Cemetery Perpetual Care Fund.

Account Groups - In addition to the broad types of governmental funds, the City also maintains the account groups as described below:

General Fixed Assets Account Group: This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes.

General Long-Term Debt Account Group: This account group is established to account for the City's long-term debt that will be financed from general governmental resources.

Basis of Accounting - Governmental Funds, Expendable Trust Funds, and Agency Funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, and investment earnings are recorded when earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations, which are recognized when paid.

All proprietary funds and Nonexpendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

Agency Fund assets and liabilities are accounted for on the modified accrual basis.

Budgetary Data - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior April 1, the budget is legally enacted.
4. The budget is used by the City Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level.
5. Budget amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

Cash - The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

Receivables - All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

Investments - Debt securities are valued at cost since it is generally the policy of the City to hold such investments until they mature.

Due To / Due From Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Other Assets - Other assets held are recorded and accounted for at cost.

Inventory - Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized.

City of Brown City
Notes To Financial Statements
March 31, 2004

Property, Plant, and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges, are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the General Fixed Assets Account Group.

Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies.

Property, plant, and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest is recorded at their fair market value at the date of transfer.

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

Long-Term Debt - Long-term obligations of the City are reported in the General Long-Term Debt Account Group.

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distribution. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.

Revenues and Expenditures/Expenses - Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and nontax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

Vacation, Sick Leave, and other Compensated Absences - Vacation days are earned by employees at a rate from 4 to 15 days per year with unused days at year-end being forfeited.

Sick days are earned by employees at a rate of one day per month during the year. A maximum of 36 unused sick days may be accumulated by an employee. No provision has been made for accumulated sick pay liability since the amount is immaterial to the financial statements taken as a whole.

Total Columns - The Combined Financial Statements include total columns that are described as memoranda only. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Interfund transactions have not been eliminated from the total column of each financial statement.

2. Stewardship, Compliance, and Accountability

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

City of Brown City
Notes To Financial Statements
March 31, 2004

3. Cash and Investments

The Governmental Accounting Standards Council Statement No. 3, risk disclosures for the Local Unit's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Insured (FDIC)	\$ 1,212,881	\$ 1,212,881
Uninsured and Uncollateralized	<u>0</u>	<u>0</u>
Total Deposits	<u>\$ 1,212,881</u>	<u>\$ 1,212,881</u>

All cash deposits and investments of the City are held by the City in the City's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized					
Operating Funds					
Public Funds Investment Trust	<u>97,087</u>	<u>0</u>	<u>0</u>	<u>97,087</u>	<u>97,087</u>
Total Risk-Categorized Investments	<u>97,087</u>	<u>0</u>	<u>0</u>	<u>97,087</u>	<u>97,087</u>

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the City or its agent in the City's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the City's name.

4. Property Taxes

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and may be paid by the following February 14.

Property taxes are not recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available. Property taxes are recorded as revenue when collected.

The City levied the following taxes:

General Operating	16.8733	mills
Parks	<u>1.1229</u>	mills
Total	<u>17.9962</u>	

City of Brown City
Notes To Financial Statements
March 31, 2004

5. Due To / From Other Funds

As of March 31, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due From Other Funds		Due To Other Funds
General Fund	\$ 1,997	Tax Collection Fund	\$ 1,997
Cemetery Operating	193	Cemetery Perpetual Care	193
Various Funds	<u>1,096,018</u>	Investment Fund	<u>1,096,018</u>
Total	<u>\$ 1,098,208</u>	Total	<u>\$ 1,098,208</u>

6. Property, Plant, and Equipment

Activity for general fixed assets that are capitalized by the City is summarized below:

Assets	Balance April 1, 2003	Addition	Deduction	Balance March 31, 2004
Land	\$ 79,036	\$ 76,000	\$ 0	\$ 155,036
Land Improvements	2,176	237,958	0	240,134
Building	44,196	0	0	44,196
Equipment	136,796	25,171	0	161,967
Office Equipment	52,445	0	0	52,445
Voting Equipment	6,153	0	0	6,153
Waterslide Complex	210,340	0	0	210,340
Municipal Complex	192,192	0	0	192,192
DPW Building	35,426	0	0	35,426
Burger Building	43,512	0	0	43,512
Total	<u>\$ 802,272</u>	<u>\$ 339,129</u>	<u>\$ 0</u>	<u>\$ 1,141,401</u>

A summary of proprietary fund type property, plant, and equipment at March 31, 2004 as follows:

	Water Fund	Sewer Fund	Total	Internal Service	Depreciable Life Years
Land	\$ 5,857	\$ 20,000	\$ 25,857	\$ 0	
Improvements other than Buildings	1,359,601	793,119	2,152,720	0	10-50 yrs.
Equipment	<u>0</u>	<u>0</u>	<u>0</u>	311,625	3-10 yrs.
Total Cost	1,365,458	813,119	2,178,577	311,625	
Less Accumulated Depreciation	<u>768,256</u>	<u>391,074</u>	<u>1,159,330</u>	<u>210,824</u>	
Net Carrying Amount	<u>\$ 597,202</u>	<u>\$ 422,045</u>	<u>\$ 1,019,247</u>	<u>\$ 100,801</u>	

7. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

Special Revenue Fund – Water Recreation Fund had a deficit fund balance of \$1,694.

City of Brown City
Notes To Financial Statements
March 31, 2004

8. Comparative Data

Comparative total data for the prior year has been presented.

9. Excess of Expenditures over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the City for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<u>General Fund</u>			
Council	\$ 71,174	\$ 81,335	\$ 10,161
Mayor	1,350	1,650	300
City Manager	55,507	59,004	3,497
Elections	1,507	1,520	13
Assessor	8,500	9,760	1,260
Clerk	88,738	95,746	7,008
Board of Review	500	663	163
Treasurer	12,233	13,405	1,172
City Hall & Grounds	44,410	58,441	14,031
Police Department	171,402	177,611	6,209
Department of Public Works	16,411	19,535	3,124
Street Lighting	23,400	23,507	107
Refuse Collection	37,652	43,902	6,250
Capital Outlay	439,734	440,905	1,171
Sidewalks	24,239	24,674	435
<u>Major Streets</u>			
Snow & Ice Removal	5,266	5,535	269
Professional Services	300	946	646
Administration & Insurance	8,780	9,129	349
Trunkline Maintenance	13,364	14,210	846
<u>Local Streets</u>			
Snow & Ice Removal	5,064	5,727	663
Professional Services	3,950	8,750	4,800
Administration & Insurance	7,609	7,625	16
<u>Cemetery Operations</u>			
Contract Services	3,300	3,600	300
Grave Openings	5,100	5,350	250
<u>Park</u>			
Salaries & Wages	6,301	6,320	19
FICA Expense	482	483	1
Equipment Rent	10,286	10,911	625
<u>Water Recreation Fund</u>			
Maintenance	0	68	68

10. Post Employment Benefits

The City does not provide any post employment benefits.

11. Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The City has purchased commercial insurance for the various risks of loss stated above.

City of Brown City
Notes To Financial Statements
March 31, 2004

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

12. Long-Term Debt

The general long-term debt of the City, and the changes therein, are summarized as follows:

<u>Primary Government</u>	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2004</u>
<u>Revenue Bonds</u>				
\$200,000 Series 2002 Sanilac County, Brown City Water Tower Rehabilitation Project Bonds due in annual installments of \$20,000 through March 1, 2012, interest at 3.35 perct	\$ 180,000	\$ 0	\$ 20,000	\$ 160,000
<u>Total Revenue Bonds</u>	<u>\$ 180,000</u>	<u>\$ 0</u>	<u>\$ 20,000</u>	<u>\$ 160,000</u>

The annual principal and interest requirements for the years ending March 31, 2004 through 2009 for all debts outstanding as of March 31, 2004 are as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Total Revenue Bonds	<u>\$ 25,360</u>	<u>\$ 24,690</u>	<u>\$ 24,020</u>	<u>\$ 23,350</u>	<u>\$ 22,680</u>

Total Interest expense for the City for the year ended March 31, 2004 was \$6,030.

City of Brown City
Notes To Financial Statements
March 31, 2004

12. Long-Term Debt - Continued

Revenue Bonds

Water Tower Rehabilitation Project Bonds
Dated 2003

Interest Payable March 1 & November 1

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding March 31, 2004</u>	<u>Original Issue \$200,000 Remaining Annual Interest Cap</u>
3.35%	03/01/05	\$ 20,000	\$ 5,360
3.35%	03/01/06	20,000	4,690
3.35%	03/01/07	20,000	4,020
3.35%	03/01/08	20,000	3,350
3.35%	03/01/09	20,000	2,680
3.35%	03/01/10	20,000	2,010
3.35%	03/01/11	20,000	1,340
3.35%	03/01/12	20,000	670
<u>Total Water Tower Rehabilitation Project Bonds</u>		<u>\$ 160,000</u>	<u>\$ 24,120</u>

13. During the Year Ended March 31, 2004, the City's Interfund Transfers were as Follows:

	<u>Operating Transfers In</u>		<u>Operating Transfers Out</u>
Equipment Fund	\$ 35,000	General Fund	\$ 35,000
Water Supply Fund	29,400	General Fund	29,400
Cemetery Operations Fund	2,200	Cemetery Perpetual Care	2,200
Local Street	10,000	Major Street	10,000

City of Brown City
Notes To Financial Statements
March 31, 2004

14. Segment Information for Enterprise Funds

The City maintains two Enterprise Funds which provide water and sewer services. Segment information for the year ended March 31, 2004, was as follows:

	Water Fund	Sewer Fund	Total Enterprise Funds	Equipment Fund
Operating Revenues	\$ 93,545	\$ 89,248	\$ 182,793	\$ 50,557
Depreciation	39,207	17,887	57,094	18,562
Operating Income (Loss)	(42,888)	(2,429)	(45,317)	(12,487)
Non-Operating Rev. (Exp.)	16,939	3,285	20,224	5,142
Operating Transfers In (Out)	29,400	0	29,400	35,000
Net Income (Loss)	3,513	919	4,432	27,655
Contributed Capital				
Additions	58,474	0	58,474	0
Plant, Property and				
Equipment Additions	128,357	74,973	203,330	40,491
Net Working Capital	74,629	275,291	349,920	15,612
Total Equity				
Contributed Capital	360,940	408,185	769,125	0
Retained Earnings	170,891	289,152	460,043	116,412

15. Downtown Development Authority (DDA)

The Downtown Development Authority was established by the City of Brown City Commission in accordance with Act 197 of PA 1975. Its purpose will be to serve the best interest of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the cause of the deterioration, and to promote economic growth. This purpose is accomplished by the Corporation entering into lease contracts with commercial enterprises. According to the terms of the lease contracts, the Corporation agrees to issue revenue bonds, the proceeds from which will be used to finance a project benefiting the commercial enterprise, and the commercial enterprise agrees to make lease payments equal to the bond principal and interest payments. When the bonds are paid in full, the ownership of the project is transferred to the commercial enterprise. The revenue bonds are payable solely from the net revenues derived from the project, and the bonds are collateralized by a mortgage on the project and the lease contract.

Since each bond issued by the Corporation is payable solely from the net revenues derived from the related project through lease payments, and since the bonds are not a general obligation of the Corporation, the bonds and related lease contracts have not been reflected in the financial statements of the Corporation.

City of Brown City
Notes To Financial Statements
March 31, 2004

As of March 31, 2004, the Corporation has issued revenue bonds, as described above. Following are details of the bond issues.

<u>Project</u>	<u>Amount of Revenue Date of Bond Closing</u>	<u>Bonds Issued</u>
Brown City Pharmacy	October 02, 1989	\$ 143,331
Great Reflections	June 06, 1992	68,338
Mr. Ed's/Pieters	August 01, 2000	95,733
Master Floor Covering	April 15, 2003	<u>37,373</u>
Total		<u><u>\$ 344,775</u></u>

Supporting Schedules

City of Brown City

Balance Sheet

General Fund

March 31, 2003 & 2004

<u>Assets</u>	March 31,	
	2004	2003
Cash	\$ 6,028	\$ 2,964
M.M Savings - Investment Fund	629,715	728,072
Property Tax Receivable	42,255	47,599
Accounts Receivable		
2003 Sidewalks	4,262	0
2002 Sidewalks	1,560	3,013
2000 Sidewalks	0	347
1997 Sidewalks	0	409
1996 Sidewalks	0	0
Miscellaneous	589	1,066
Due From Tax Account	1,997	1,087
Due From Equipment Fund	0	0
<u>Total Assets</u>	<u>\$ 686,406</u>	<u>\$ 784,557</u>
<u>Liabilities & Fund Balance</u>		
<u>Liabilities</u>		
Accounts Payable	\$ 20,855	\$ 19,270
Accrued Wages Payable	0	8,008
<u>Total Liabilities</u>	<u>20,855</u>	<u>27,278</u>
<u>Fund Balance</u>		
Reserved for Police Car	320	12,221
Reserved for Unemployment Compensation	8,826	8,691
Reserved for Streets	34,607	69,035
Reserved for Cable Equipment	25,834	25,439
Reserved for County Road Millage	156,104	114,482
Reserved for Sidewalks	25,584	25,193
Unreserved - Undesignated	414,276	502,218
<u>Total Fund Balance</u>	<u>665,551</u>	<u>757,279</u>
<u>Total Liabilities & Fund Balance</u>	<u>\$ 686,406</u>	<u>\$ 784,557</u>

City of Brown City

Statement of Changes in Fund Balance

General Fund

For The Year Ended March 31, 2004

	Police Car	Unemp. Comp.	Streets	Cable Equipment	County Road Millage	Sidewalks	Undesignated	Total
<u>Fund Balance - April 1, 2003</u>	\$ 12,221	\$ 8,691	\$ 69,035	\$ 25,439	\$ 114,483	\$ 25,193	\$ 502,217	\$ 757,279
<u>Excess of Revenues Over (Under) Expenditures</u>	(11,901)	135	(34,428)	395	41,621	391	(87,941)	(91,728)
<u>Fund Balances - March 31, 2004</u>	\$ 320	\$ 8,826	\$ 34,607	\$ 25,834	\$ 156,104	\$ 25,584	\$ 414,276	\$ 665,551

City of Brown City

Statement of Revenues, Expenditures, And Changes in Fund Balance Actual Compared to Budget - General Fund For The Year Ended March 31, 2004

<u>Revenues</u>	March 31, 2004			March 31, 2003 Actual
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	
<u>Taxes</u>				
Current Property Taxes	\$ 451,280	\$ 370,080	\$ (81,200)	\$ 351,712
<u>State Shared Revenues</u>	172,326	172,326	0	186,678
<u>Liquor Licenses</u>	1,190	1,191	1	1,155
<u>Miscellaneous Revenues</u>				
District Court & Public Hearing Fees	1,159	2,752	1,593	1,395
Collection Fees	9,079	10,149	1,070	9,718
Miscellaneous	14,936	16,910	1,974	4,827
Admin's Fees / Benefit Charges / Rentals	56,750	57,250	500	57,250
Franchise Fees	19,363	11,063	(8,300)	2,717
Grants	364,905	365,230	325	17,267
County Road Millage	37,500	39,373	1,873	37,473
<u>Charges for Services</u>				
Refuse Collection Fees	43,458	43,506	48	43,665
<u>Interest Earnings</u>	8,491	9,269	778	13,759
<u>Total Revenues</u>	<u>\$ 1,180,437</u>	<u>\$ 1,099,099</u>	<u>\$ (81,338)</u>	<u>\$ 727,616</u>

City of Brown City
Statement of Revenues, Expenditures, And Changes in Fund Balance
Actual Compared to Budget - General Fund
For The Year Ended March 31, 2004

	March 31, 2004			March 31, 2003
	Budget	Actual	Over (Under) Budget	Actual
<u>Expenditures</u>				
<u>General Government</u>				
Council	\$ 71,174	\$ 81,335	\$ (10,161)	\$ 20,080
Mayor	1,350	1,650	(300)	1,214
City Manager	55,507	59,004	(3,497)	57,873
Elections	1,507	1,520	(13)	3,844
Assessor	8,500	9,760	(1,260)	7,991
Clerk	88,738	95,746	(7,008)	82,903
Board of Review	500	663	(163)	447
Treasurer	12,233	13,405	(1,172)	9,679
City Hall & Grounds	44,410	58,441	(14,031)	63,246
Total General Government	283,919	321,524	(37,605)	247,277
<u>Public Safety</u>				
Police Department	171,402	177,611	(6,209)	155,542
Fire Protection	24,800	24,800	0	24,030
Total Public Safety	196,202	202,411	(6,209)	179,572
<u>Public Works</u>				
Department of Public Works	16,411	19,535	(3,124)	9,997
Parking Lot	660	659	1	1,212
Street Lighting	23,400	23,507	(107)	23,346
Total Public Works	40,471	43,701	(3,230)	34,555
<u>Other Functions</u>				
Community Promotion	9,699	9,697	2	11,536
Insurance, Bonds, & Fringe Benefits	39,088	38,370	718	29,438
Refuse Collection	37,652	43,902	(6,250)	41,985
Capital Outlay	439,734	440,905	(1,171)	0
Sidewalks	24,239	24,674	(435)	15,168
Drains at Large	1,244	1,243	1	1,378
Total Other Functions	551,656	558,791	(7,135)	99,505
Total Expenditures	1,072,248	1,126,427	(54,179)	560,909
<u>Excess of Revenues Over (Under) Expenditures</u>	108,189	(27,328)	(135,517)	166,707
<u>Other Financing Sources (Uses)</u>				
Transfer From (To) Other Funds	(86,400)	(64,400)	22,000	(42,400)
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	21,789	(91,728)	(113,517)	124,307
<u>Fund Balance - April 1,</u>	0	757,279	757,279	632,972
<u>Fund Balance - March 31,</u>	\$ 21,789	\$ 665,551	\$ 643,762	\$ 757,279

City of Brown City
Combining Balance Sheet
All Special Revenue Funds
For The Year Ended March 31, 2004

	Major Street Fund	Local Street Fund	E.D.C. Fund	Cemetery Operating Fund	Downtown Develop. Authority	Park Fund	Police Forfeiture	Water Recreation Fund	Totals (Memorandum Only) March 31,	
									2004	2003
Assets										
Cash	\$ 187	\$ 22	\$ 0	\$ 6,103	\$ 7,865	\$ 1,117	\$ 388	\$ 10	\$ 15,692	\$ 24,063
Cash - Savings / C of D's	0	0	0	28,282	11,668	0	0	0	39,950	33,449
M.M. Savings - Investment Fund	37,094	60,834	0	5,953	0	38,367	0	0	142,248	184,800
Property Taxes Receivable	0	0	0	0	0	2,638	0	0	2,638	3,112
Due From Other Funds	0	0	0	193	0	1,704	0	0	1,897	175
Total Assets	\$ 37,281	\$ 60,856	\$ 0	\$ 40,531	\$ 19,533	\$ 43,826	\$ 388	\$ 10	\$ 202,425	\$ 245,599
Liabilities & Fund Equity										
Liabilities										
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accrued Wages Payable	0	0	0	0	0	0	0	0	0	203
Due To Other Funds	0	0	0	0	0	0	0	1,704	1,704	0
Total Liabilities	0	0	0	0	0	0	0	1,704	1,704	203
Fund Equity										
Fund Balances	0	0	0	0	0	0	0	0	0	169
Reserved for E.D.C. Loans Unreserved										
Designated for Equipment & Capital Outlay	0	0	0	5,888	0	0	0	0	5,888	5,797
Undesignated	37,281	60,856	0	34,643	19,533	43,826	389	(1,695)	194,833	239,430
Total Fund Equity	37,281	60,856	0	40,531	19,533	43,826	389	(1,695)	200,721	245,396
Total Liabilities & Fund Equity	\$ 37,281	\$ 60,856	\$ 0	\$ 40,531	\$ 19,533	\$ 43,826	\$ 389	\$ 9	\$ 202,425	\$ 245,599

City of Brown City
Combining Statement of Revenues, Expenditures, And
Changes in Fund Balance - All Special Revenue Funds
For The Year Ended March 31, 2004

	Major Street Fund	Local Street Fund	E.D.C. Fund	Cemetery Operating Fund	Downtown Develop. Authority	Park Fund	Police Forfeiture	Water Recreation Fund	Totals (Memorandum Only)	
									2004	March 31, 2003
Revenues										
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,841	\$ 0	\$ 0	\$ 23,841	\$ 22,870
Intergovernmental Revenues	82,357	25,700	0	0	0	0	0	0	108,057	99,835
Charges for Services	0	0	0	8,700	0	0	0	0	8,700	8,500
Lot Sales	0	0	0	2,350	0	0	0	0	2,350	3,875
Contributions & Donations	0	0	0	3,350	0	2,400	0	0	5,750	2,500
Interest Income	856	958	2	501	1,722	399	0	1	4,439	4,039
Miscellaneous Revenues	0	0	0	0	0	1,383	310	0	1,693	1,802
Total Revenues	83,213	26,658	2	14,901	1,722	28,023	310	1	154,830	143,421
Expenditures										
Highways, Streets, & Bridges	111,095	44,041	0	0	0	0	0	0	155,136	80,833
Cemetery Maintenance	0	0	0	20,298	0	0	0	0	20,298	19,762
Operating Expenditures	0	0	0	0	562	24,005	0	1,706	26,273	25,868
Total Expenditures	111,095	44,041	0	20,298	562	24,005	0	1,706	201,707	126,463
Excess of Revenues Over (Under) Expenditures	(27,882)	(17,383)	2	(5,397)	1,160	4,018	310	(1,705)	(46,877)	16,958
Other Financing Sources (Uses)										
Transfer From (To) Other Funds	(10,000)	10,000	(171)	2,200	171	0	0	0	2,200	1,991
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(37,882)	(7,383)	(169)	(3,197)	1,331	4,018	310	(1,705)	(44,677)	18,949
Fund Balances - April 1, 2003	75,163	68,239	169	43,728	18,202	39,808	79	10	245,398	226,447
Fund Balances - March 31, 2004	\$ 37,281	\$ 60,856	\$ 0	\$ 40,531	\$ 19,533	\$ 43,826	\$ 389	\$ (1,695)	\$ 200,721	\$ 245,396

City of Brown City
Combining Balance Sheet
All Enterprise Funds
March 31, 2004

<u>Assets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>		<u>Liabilities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	
			<u>2004</u>	<u>March 31, 2003</u>				<u>2004</u>	<u>March 31, 2003</u>
<u>Current Assets</u>					<u>Current Liabilities</u>				
Cash	\$ 9,297	\$ 52,735	\$ 62,032	\$ 40,898	Accounts Payable	\$ 11,371	\$ 1,162	\$ 12,533	\$ 3,137
					Current Portion of				
					Long-Term Debt				
Accounts Receivable	169	169	338	338	Total Liabilities	20,000	0	20,000	20,000
Money Mkt. Savings -						31,371	1,162	32,533	23,137
Investment Fund	84,895	223,549	308,444	365,163	Long-Term Liabilities				
Due From County	11,640	0	11,640	11,640	Bond Payable (Net of Current				
					Portion shown above)	140,000	0	140,000	160,000
Total Current Assets	106,001	276,453	382,454	418,039	Total Liabilities	171,371	1,162	172,533	183,137
<u>Utility System</u>					<u>Fund Equity</u>				
Land	5,857	20,000	25,857	25,857	Contributed Capital				
Water System	1,359,601	0	1,359,601	1,231,243	Government Grants	283,527	191,593	475,120	475,120
Sewer System	0	793,119	793,119	718,146	Federal	58,413	58,411	116,824	0
Total Utility System	1,365,458	813,119	2,178,577	1,975,246	Municipality & Sub-Dividers	19,000	158,181	177,181	177,181
					Total Contributed Capital	360,940	408,185	769,125	652,301
Less: Accumulated									
Depreciation	768,256	391,074	1,159,330	1,102,235	Retained Earnings				
					Unreserved - Undesignated	170,892	289,151	460,043	455,612
Net Utility System	597,202	422,045	1,019,247	873,011	Total Fund Equity	531,832	697,336	1,229,168	1,107,913
Total Assets	\$ 703,203	\$ 698,498	\$ 1,401,701	\$ 1,291,050	Total Liabilities & Fund Equity	\$ 703,203	\$ 698,498	\$ 1,401,701	\$ 1,291,050

City of Brown City
Statement of Changes in Unreserved Retained Earnings
All Enterprise Funds
For The Year Ended March 31, 2004

	<u>Water Supply System</u>	<u>Sewage Disposal System</u>
<u>Unreserved Retained Earnings April 1, 2003</u>	\$ 167,378	\$ 288,233
ADD: Net Income (Loss) for the Fiscal Year	<u>3,514</u>	<u>918</u>
<u>Unreserved Retained Earnings March 31, 2004</u>	<u><u>\$ 170,892</u></u>	<u><u>\$ 289,151</u></u>

City of Brown City
 Combined Statement of Revenues, Expenditures, & Changes in
 Retained Earnings - All Enterprise Fund Types
 For The Year Ended March 31, 2004

	Enterprise Funds			
	Water Supply System	Sewage Disposal System	Totals	
			March 31,	
			2004	2003
<u>Operating Revenues</u>				
Charges for Services	\$ 91,145	\$ 86,048	\$ 177,193	\$ 179,043
Connection Fees	2,400	3,200	5,600	3,050
<u>Total Operating Revenues</u>	<u>93,545</u>	<u>89,248</u>	<u>182,793</u>	<u>182,093</u>
<u>Operating Expenses</u>				
Salaries & Wages	20,388	17,190	37,578	34,871
Payroll Taxes	1,636	1,373	3,009	2,908
Operating Supplies	2,741	6,264	9,005	6,730
Professional Fees	16,569	10,013	26,582	11,414
Utilities	11,349	2,960	14,309	13,031
Repairs & Maintenance	11,052	7,899	18,951	18,991
Equipment Rent / Lease	9,139	12,358	21,497	17,746
Insurance	3,215	5,178	8,393	7,541
Employee Benefits	6,600	5,200	11,800	11,800
Administrative Fees	5,620	5,200	10,820	10,820
Depreciation	39,207	17,887	57,094	51,313
Debt Service - Principal	0	0	0	0
Debt Service - Interest	6,030	0	6,030	3,350
Capital Outlay	0	0	0	0
Miscellaneous / Training	2,886	155	3,041	2,088
<u>Total Operating Expenses</u>	<u>136,432</u>	<u>91,677</u>	<u>228,109</u>	<u>192,603</u>
<u>Operating Income (Loss)</u>	<u>(42,887)</u>	<u>(2,429)</u>	<u>(45,316)</u>	<u>(10,510)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest	2,230	3,285	5,515	8,784
Tower Rent / Reimbursements	14,710	0	14,710	12,449
<u>Total Non-Operating Revenue (Expenses)</u>	<u>16,940</u>	<u>3,285</u>	<u>20,225</u>	<u>21,233</u>
<u>Income (Loss) Before Operating Transfers</u>	<u>(25,947)</u>	<u>856</u>	<u>(25,091)</u>	<u>10,723</u>
<u>Operating Transfers In (Out)</u>				
Transfer from General Fund	29,400	0	29,400	30,400
<u>Net Income (Loss)</u>	<u>3,453</u>	<u>856</u>	<u>4,309</u>	<u>41,123</u>
Amortization of Contributed Capital	61	62	123	0
<u>Increase (Decrease) in Retained Earnings</u>	<u>3,514</u>	<u>918</u>	<u>4,432</u>	<u>41,123</u>
<u>Retained Earnings - April 1,</u>	<u>167,378</u>	<u>288,233</u>	<u>455,611</u>	<u>414,489</u>
<u>Retained Earnings - March 31,</u>	<u>\$ 170,892</u>	<u>\$ 289,151</u>	<u>\$ 460,043</u>	<u>\$ 455,612</u>

City of Brown City
Combined Statement of Cash Flows
All Enterprise Fund Types
(Indirect Method)
For The Year Ended March 31, 2004

	Enterprise Funds			
	Water Supply System	Sewage Disposal System	Totals	
			March 31,	
			2004	2003
<u>Cash Flows from Operating Activities</u>				
Net Income (loss)	\$ 3,453	\$ 856	\$ 4,309	\$ 41,123
Adjustments to Reconcile Net Income to Net				
Cash Provided by Operating Activities:				
Depreciation	39,207	17,887	57,094	51,313
Changes in Operating Assets & Liabilities:				
Accounts Receivable	0	0	0	96
Accounts Payable	9,604	(209)	9,395	242
Due from Other Funds	0	0	0	(11,640)
<u>Net Cash Provided By Operating Activities</u>	52,264	18,534	70,798	81,134
<u>Cash Flows From Investing Activities</u>				
Purchase of Fixed Assets	(128,357)	(74,973)	(203,330)	(222,790)
Contributed Capital - CDBG	58,474	58,473	116,947	0
<u>Cash Flows From Financing Activities</u>				
Payment on Principal on Long-Term Debt	(20,000)	0	(20,000)	180,000
<u>Net Increase (Decrease) in Cash and</u>				
<u>Cash Equivalents</u>	(37,619)	2,034	(35,585)	38,344
<u>Cash & Cash Equivalents - Beginning of Year</u>	131,812	274,249	406,061	367,717
<u>Cash & Cash Equivalents - End of Year</u>	\$ 94,193	\$ 276,283	\$ 370,476	\$ 406,061

City of Brown City

Fiduciary Funds
Combining Balance Sheet
March 31, 2004

	Investment Fund	Tax Collection Fund	Cemetery Expendable Fund	Perpetual Care Fund Non-Expendable Fund	Totals March 31, 2004	2003
Assets						
Cash - Savings / C of D's	\$ 0	\$ 1,997	\$ 0	\$ 88,251	\$ 90,248	\$ 88,020
M.M. Savings / Treasury Bills	1,096,019	0	0	0	1,096,019	1,288,453
<u>Total Assets</u>	<u>\$ 1,096,019</u>	<u>\$ 1,997</u>	<u>\$ 0</u>	<u>\$ 88,251</u>	<u>\$ 1,186,267</u>	<u>\$ 1,376,473</u>
Liabilities & Fund Balance						
Liabilities						
Due to Other Funds:						
Water	\$ 84,895	\$ 0	\$ 0	\$ 0	\$ 84,895	\$ 131,619
General	629,715	1,997	0	0	631,712	729,159
Motor Vehicle Equipment Pool	15,612	0	0	0	15,612	10,418
Major Street	37,094	0	0	0	37,094	75,216
Local Street	60,834	0	0	0	60,834	68,190
Cemetery Operating	5,953	0	0	193	6,146	6,036
Sewage Disposal System	223,549	0	0	0	223,549	233,544
E.D.C.	0	0	0	0	0	169
Parks	38,367	0	0	0	38,367	35,364
Water Recreation	0	0	0	0	0	0
<u>Total Liabilities</u>	<u>1,096,019</u>	<u>1,997</u>	<u>0</u>	<u>193</u>	<u>1,098,209</u>	<u>1,289,715</u>
Fund Balance						
Designated for Cemetery Perpetual Care	0	0	0	88,058	88,058	86,758
<u>Total Liabilities & Fund Balances</u>	<u>\$ 1,096,019</u>	<u>\$ 1,997</u>	<u>\$ 0</u>	<u>\$ 88,251</u>	<u>\$ 1,186,267</u>	<u>\$ 1,376,473</u>

City of Brown City

Statement of Revenues, Expenditures, & Changes in Fund Balance

Cemetery Perpetual Care Fund

For The Year Ended March 31, 2004

	Perpetual Care Fund		Totals March 31,	
	Cemetery Expendable Fund	Non Expendable Fund	2004	2003
<u>Revenues</u>				
Interest Income	\$ 2,200	\$ 0	\$ 2,200	\$ 1,991
Sale of Cemetery Lots	0	1,300	1,300	3,452
<u>Total Revenues</u>	2,200	1,300	3,500	5,443
<u>Operating Transfers In (Out)</u>				
Transfer to Cemetery Operating Fund	(2,200)	0	(2,200)	(1,991)
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	0	1,300	1,300	3,452
<u>Fund Balance - April 1,</u>	0	86,758	86,758	83,306
<u>Fund Balance - March 31,</u>	<u>\$ 0</u>	<u>\$ 88,058</u>	<u>\$ 88,058</u>	<u>\$ 86,758</u>

City of Brown City

Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual - Major Street Fund & Local Street Fund
For The Year Ended March 31, 2004

	Major Street Fund			Local Street Fund		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
State Shared Revenue - Gas & Weight Tax	\$ 69,245	\$ 69,245	\$ 0	\$ 25,853	\$ 25,700	\$ (153)
State Trunk Line Maintenance	13,111	13,112	1	0	0	0
Interest Income	804	856	52	792	958	166
Miscellaneous	0	0	0	0	0	0
Total Revenues	83,160	83,213	53	26,645	26,658	13
Expenditures						
Routine Maintenance	80,402	72,775	7,627	25,173	21,820	3,353
Traffic Services	440	0	440	119	119	0
Snow & Ice Removal	5,266	5,535	(269)	5,064	5,727	(663)
Professional Services	300	9,446	(9,146)	3,950	8,750	(4,800)
Administration/Insurance	8,780	9,129	(349)	7,609	7,625	(16)
Trunk Line Maintenance	13,364	14,210	(846)	0	0	0
Total Expenditures	108,552	111,095	(2,543)	41,915	44,041	(2,126)
Excess of Revenues Over (Under) Expenditures	(25,392)	(27,882)	(2,490)	(15,270)	(17,383)	(2,113)
Other Financing Sources (Uses)						
Transfer to Local Street Fund	(10,000)	(10,000)	0	0	0	0
Transfer from Major Street Fund	0	0	0	10,000	10,000	0
Total other Financing Sources (Uses)	(10,000)	(10,000)	0	10,000	10,000	0
Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses	(35,392)	(37,882)	(2,490)	(5,270)	(7,383)	(2,113)
Fund Balance - April 1, 2003	6,260	75,163	68,903	0	68,239	68,239
Fund Balance - March 31, 2004	\$ (29,132)	\$ 37,281	\$ 66,413	\$ (5,270)	\$ 60,856	\$ 66,126

City of Brown City
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual - Cemetery Operating Fund
For The Year Ended March 31, 2004

<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Lot Sales	\$ 2,350	\$ 2,350	\$ 0
Grave Openings	8,250	8,700	450
Interest Income	504	501	(3)
Donations	3,000	3,350	350
<u>Total Revenues</u>	<u>14,104</u>	<u>14,901</u>	<u>797</u>
<u>Expenditures</u>			
Contractual Services	3,300	3,600	(300)
Administration Fees	500	500	0
Repairs & Maintenance	1,238	1,238	0
Operating Supplies	468	468	0
Capital Outlay	8,318	8,318	0
Grave Openings	5,100	5,350	(250)
Miscellaneous	824	824	0
<u>Total Expenditures</u>	<u>19,748</u>	<u>20,298</u>	<u>(550)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(5,644)</u>	<u>(5,397)</u>	<u>247</u>
<u>Other Financing Sources (Uses)</u>			
Transfer from Cemetery Perpetual Care Fund	2,130	2,200	70
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>(3,514)</u>	<u>(3,197)</u>	<u>317</u>
<u>Fund Balance - April 1, 2003</u>	<u>43,728</u>	<u>43,728</u>	<u>0</u>
<u>Fund Balance - March 31, 2004</u>	<u>\$ 40,214</u>	<u>\$ 40,531</u>	<u>\$ 317</u>

City of Brown City
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual - Park Fund
For The Year Ended March 31, 2004

			Over (Under) Budget
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	
Property Taxes	\$ 26,785	\$ 23,841	\$ (2,944)
Contributions & Donations	2,400	2,400	0
Pavilion Rental	820	1,085	265
Miscellaneous	230	298	68
Interest Income	317	399	82
	<hr/>	<hr/>	<hr/>
<u>Total Revenues</u>	30,552	28,023	(2,529)
	<hr/>	<hr/>	<hr/>
<u>Expenditures</u>			
Salaries & Wages	6,301	6,320	(19)
FICA Expense	482	483	(1)
Operating Supplies	982	982	0
Utilities	4,005	3,629	376
Repairs & Maintenance	692	692	0
Equipment Rent	10,286	10,911	(625)
Insurance	941	941	0
Capital Outlay	0	0	0
Miscellaneous	47	47	0
	<hr/>	<hr/>	<hr/>
<u>Total Expenditures</u>	23,736	24,005	(269)
	<hr/>	<hr/>	<hr/>
<u>Excess of Revenues Over (Under) Expenditures</u>	6,816	4,018	(2,798)
	<hr/>	<hr/>	<hr/>
<u>Fund Balance - April 1, 2003</u>	39,808	39,808	0
	<hr/>	<hr/>	<hr/>
<u>Fund Balance - March 31, 2004</u>	\$ 46,624	\$ 43,826	\$ (2,798)
	<hr/>	<hr/>	<hr/>

City of Brown City
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual - Water Recreation Fund
For The Year Ended March 31, 2004

	Budget	Actual	Over (Under) Budget
<u>Revenues</u>			
Miscellaneous	\$ 0	\$ 0	\$ 0
Interest Income	1	1	0
<u>Total Revenues</u>	1	1	0
<u>Expenditures</u>			
Salaries & Wages	78	78	0
FICA Expense	6	6	0
Utilities	0	0	0
Insurance	1,554	1,554	0
Maintenance	0	68	(68)
<u>Total Expenditures</u>	1,638	1,706	(68)
<u>Excess of Revenues Over (Under) Expenditures</u>	(1,637)	(1,705)	(68)
<u>Other Financing Sources (Uses)</u>			
Transfer from Park Fund	0	0	0
<u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	(1,637)	(1,705)	68
<u>Fund Balance - April 1, 2003</u>	10	10	0
<u>Fund Balance - March 31, 2004</u>	\$ (1,627)	\$ (1,695)	\$ (3,322)

City of Brown City
Statement of Revenues, Expenditures, & Changes in Fund Balance
Budget & Actual - E.D.C. Fund
For The Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>Revenues</u>			
Interest Income	\$ 2	\$ 3	\$ 1
<u>Total Revenues</u>	<u>2</u>	<u>3</u>	<u>1</u>
 <u>Expenditures</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
<u>Total Expenditures</u>	<u>0</u>	<u>0</u>	<u>0</u>
 <u>Excess of Revenues Over (Under) Expenditures</u>	 2	 3	 1
 <u>Other Financing Sources (Uses)</u>			
Transfer to DDA	<u>0</u>	<u>(171)</u>	<u>(171)</u>
 <u>Excess of Revenues & Other Sources Over Expenditures & Other Uses</u>	 2	 (168)	 (170)
 <u>Fund Balance - April 1, 2003</u>	 <u>0</u>	 <u>169</u>	 <u>169</u>
 <u>Fund Balance - March 31, 2004</u>	 <u>\$ 2</u>	 <u>\$ 1</u>	 <u>\$ (1)</u>

LEHN L. KING
CERTIFIED PUBLIC ACCOUNTANT

3078 S. MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

May 27, 2004

The Honorable Mayor and
Members of the City Council
City of Brown City, Michigan

In accordance with your request, I have made an examination of the financial statements of the City of Brown City for the fiscal year ended March 31, 2004. During the course of my examination, no material items have come to my attention.

From an overall viewpoint, the books and records maintained by the City Accounting Staff are in very good order. I thank the City officials and employees for the cooperation I received in the completion of this examination.

If I can be of any assistance or should any questions arise, please contact me.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant